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TAGS: [AORC](#) [KNNP](#) [IAEA](#) [ENRG](#) [TRGY](#) [IN](#) [RS](#)
SUBJECT: NUCLEAR FUEL BANKS - OVERCOMING INDIA'S SENSE OF EXCLUSION

REF: A. 09 UNVIE 301
[1](#)B. 09 STATE 85122
[1](#)C. 09 NEW DEHLI 1211
[1](#)D. 09 NEW DEHLI 1300

Classified By: SCA Michael S. Owen for Reasons 1.4 (B and D)

[1](#)1. (U) This is an ACTION REQUEST: Please see paras 3 and 14.

SUMMARY

[1](#)2. (C) A step forward on fuel assurances was taken at the June 15-18, 2009 meeting of the International Atomic Energy Agency (IAEA) Board of Governors (BOG), at which the Board considered two concrete nuclear fuel bank proposals. For the first time, states associated with the Non-Aligned Movement (NAM) and Group of 77 (G-77) moved beyond rhetoric to raise specific concerns regarding the actual implementation of an international nuclear fuel bank. In marked contrast, India was a vocal opponent to forward progress, choosing in its statement and subsequent interventions to dwell obstructively on charges that the fuel bank would infringe rights and be discriminatory. India later lamented to U.S. officials that concerns about its participation had not been addressed. Post is therefore requested to engage India on this issue in order to discuss New Delhi's concerns about international nuclear fuel banks and to attempt to enlist its support on the matter moving forward.

OBJECTIVES

[1](#)3. (C) Embassy is asked to pursue the following objectives:

-- Convey the talking points at para 14 to relevant GOI counterparts, seeking to address India's concerns about fuel assurances and to enlist India's support for international fuel bank proposals) specifically aimed at pragmatic engagement and constructive dialogue during the September 7-11 meeting of the IAEA Board of Governors.

-- Deflect India's desire to be a recipient state of an international fuel bank.

-- If needed, use contingency talking points at para 15 to counter India's concerns about USG efforts to seek approval of the Nuclear Suppliers Group on restrictions on the transfer of enrichment and reprocessing (ENR) technology.

¶4. (C) COMMENT: At the June Board of Governors meeting, India called for agreement on the proposition that "all Member States having relevant fuel cycle capabilities would have the right to participate in all proposals put forward ... as suppliers." While Department welcomes India's past assurances that it is adhering to the Nuclear Suppliers Group Guidelines for supply of trigger list and nuclear-related dual-use goods and technology, Department is not yet in a position to endorse India's participation in fuel banks as a supplier. Post should consider this position when delivering the points at para 14 below, and report back on the necessity, and potential benefit, of the U.S. making such an endorsement in the future. END COMMENT.

BACKGROUND

¶5. (SBU) Since the IAEA Secretariat launched the current fuel assurances effort, many states associated with the Non-Aligned Movement and Group of 77) including India - have expressed reservations. The primary suspicion is that this is an undertaking by major suppliers to deprive states that do not currently possess ENR technology of the opportunity to do so. Many states have individually, or through association with NAM or G-77 statements, voiced concerns about losing their "inalienable right" under the NPT to the fullest possible access to peaceful nuclear technology.

¶6. (U) At the June 15-18, 2009 meeting of the IAEA BOG, the Board considered detailed proposals for the two most advanced concepts: (1) a low-enriched uranium (LEU) reserve to be located in and financed by Russia, and (2) an IAEA-administered LEU bank to be financed through contributions pledged by the United States (nearly \$50 million), the European Union (25 million EUR), the United Arab Emirates (\$10 million), Kuwait (\$10 million), and Norway (\$5 million), in addition to \$50 million in challenge-grant funds from the U.S. nongovernmental organization Nuclear Threat Initiative (NTI). In response to concerns over fuel cycle rights, these proposals included explicit language stating that access to the mechanisms would not require a state to give up its right to pursue any fuel cycle technologies. Rather, the idea is that an assured supply of nuclear fuel would help persuade states with small nuclear power programs that there is no need to exercise their right to invest in costly and complex ENR programs.

¶7. (SBU) In partial response to this clarification, a step forward was taken at the June Board. At this meeting the joint NAM and G-77 statement moved beyond rhetorical defense of "rights" to raise specific concerns regarding the actual implementation of a fuel bank, such as reliability of the triggering mechanism, eligibility criteria, financing, liability, and fuel fabrication issues (ref A). To capitalize on the forward momentum generated at this meeting, Department is engaging Argentina, Brazil, Egypt, Malaysia, and South Africa in order to better understand their specific concerns with these proposals and to solicit solutions (ref B).

¶8. (U) India, on the other hand, chose in June to step back from any specific proposals and discuss a more general need for "consensus on certain basic principles and norms" (ref A). It suggested that an understanding might be reached that: recognized the inalienable right of all Member States to develop all aspects of nuclear technology; recognized that nothing in any proposal would ever be construed as a restriction on the sovereign right to develop and run national fuel cycle capabilities; reaffirmed that all Member States with relevant fuel cycle capabilities would have the right to participate in all proposals as a supplier; and clarified that no elements would be introduced that discriminated between Member States or brought in extraneous conditions not in the Statute. It closed by reiterating the need for a cautious approach.

¶9. (SBU) Although the Board was not in a position to

recommend that the IAEA Secretariat bring forward final proposals for approval at the next Board meeting in September, the Chair's summary ended with the recommendation that the Board continue with its consultations on the two fuel bank proposals in order to address the views and concerns of Member States. The only objection raised during the Chair's summary was India, which made multiple interventions: it complained that there must be more consultation before proceeding with further debate within the Board; it reiterated that the Chair's findings were "not in accordance" with the sentiment it had observed; it stated that it "was not ready to proceed on the recommended action;" and it took exception to the Chair's finding that the Secretariat had taken note of issues in need of clarification.

¶10. (C) India's vocal dissent at the June Board came despite assurances made by Foreign Secretary Menon to Under Secretary Burns on June 12 that India wanted to work together toward the establishment of an international nuclear fuel bank (ref C). On the same day, Ministry of External Affairs Joint Secretary for Disarmament and International Security Affairs Gaddam Dharmendra told U.S. officials that India did not yet have views on any particular proposal (ref D).

¶11. (C) A week after the Board, Menon elaborated that although India supported fuel banks, the Indian Mission in Vienna was right to oppose any plan that precluded India's full participation due to its status as a non-party to the NPT (ref D). Menon lamented that while the Indian delegation was subjected to considerable pressure to support the proposals, no other delegation made any serious attempt to address India's core concern or to reassure its delegation that further discussion would reverse India's exclusion on the basis of its NPT status.

¶12. (C) India's dissent appears to be based on a belief that it is on the wrong side of a line drawn on the basis of the NPT, which compels it to resist development of this concept in general. Department therefore recommends engaging India not as a potential fuel bank recipient, but as a state with advanced nuclear technology. India has a large, and rapidly growing, peaceful nuclear energy program, the size of which easily dwarfs the supply capacity of either fuel bank under consideration. The practical attraction of a fuel bank is for changing the civil nuclear power calculus for states with small civil nuclear programs. The benefit to India, as to the United States, of a fuel bank that may reduce the incentive of other countries to acquire indigenous enrichment or reprocessing technology would come from the diminished spread of sensitive technologies and therefore a reduction in the corresponding risk of nuclear weapons proliferation.

¶13. (SBU) The United States' primary objective with regard to fuel banks in the wake of the June Board of Governors meeting is to keep the constructive dialogue going at the September Board. Although there will be no dedicated agenda item, the issue will most certainly be raised by Member States under the "Any Other Business" agenda item. To facilitate further pragmatic discussion, we have encouraged the IAEA to draft a discussion paper addressing concerns articulated to date. Our understanding is that the IAEA Secretariat is producing such a document. We have also launched a listening campaign to try and draw out practical, implementation-related concerns from key skeptics (ref B). A productive session at the September Board could set the stage for review, and potential approval, of final proposals at the November Board.

TALKING POINTS

¶14. (C/REL INDIA) BEGIN TALKING POINTS:

-- For five years, the IAEA Secretariat has sought to establish a mechanism to provide reliable access to nuclear fuel. The United States has supported this effort.

-- We believe that a fuel assurance mechanism would help increase access to civil nuclear power in a manner that simultaneously addresses proliferation concerns.

-- In Prague, President Obama called for a "new framework for civil nuclear cooperation, including an international fuel bank, so that countries can access peaceful power without increasing the risks of proliferation."

-- After a long effort, two concrete fuel bank concepts are now taking shape) a fuel reserve in Angarsk, Russia and an IAEA-administered fuel bank.

-- Both of these proposals, now under consideration by the Board of Governors, make clear that access would not require giving up any right to peaceful nuclear technologies.

-- President Obama echoed this sentiment in Prague, when he stated that "no approach will succeed if it is based on the denial of rights to nations that play by the rules."

-- At the June Board, during which Member States were able to comment for the first time on concrete proposals, the tenor of the debate shifted, generally, away from blanket rhetoric in defense of "rights."

-- Instead, Member State concerns focused pragmatically on explicit implementation issues that must still be addressed.

-- The United States was encouraged by the thoughtful discussion and by the constructive comments made by many Member States, and we believe that this marked a positive step forward.

-- In our view, India's statement stood out due to its continuing focus on abstract rights.

-- While the United States welcomes the new and growing opportunities for civil nuclear cooperation with India, we firmly believe that our mutual nuclear cooperation should extend to fuel supply assurances.

-- As a practical matter, India (like the United States) would not be a likely beneficiary of either fuel bank proposal.

-- This would be due to the size of the Indian nuclear program relative to the size of the proposed fuel banks.

-- India has a large, mature, and rapidly growing nuclear energy program, the size of which easily dwarfs the supply capacity of either fuel bank under consideration.

-- As with the United States, the benefit to India lies not in assured fuel for its reactors, but in the diminished spread of sensitive technologies worldwide and a corresponding reduction in the potential for weapons proliferation.

-- The practical attraction of a fuel bank is for changing the civil nuclear power calculus for states with small civil nuclear programs.

-- The United States welcomed Dr. Kakodkar's August 2008 letter to IAEA Director General ElBaradei, which expressed India's interest in contributing to the establishment of international fuel banks.

-- India is a leader in the civil nuclear field, and has a very influential voice on this issue, particularly among developing countries.

-- We strongly encourage India's full participation in the ongoing dialogue on this issue within the Board of Governors.

-- Through active and constructive participation in this debate, India could make a big contribution to the

development of mechanisms that would be acceptable to all.

END TALKING POINTS.

¶15. (SBU) In parallel with its promotion of fuel assurances) designed to offer states an incentive against the development of new enrichment and reprocessing (ENR) capability) the United States since 2004 has been pursuing measures to restrict the transfer of ENR equipment and technology within the Nuclear Suppliers Group (NSG). The current NSG criteria-based proposal would allow ENR transfers to NPT Parties only, in addition to other strong nonproliferation criteria. In July 2009, the G-8 agreed to apply the draft controls in the next year, pending their adoption by the NSG. At the time of the decision by the NSG on an India-specific exception which would permit civil nuclear trade with India, GOI officials were told that ENR transfers would be restricted to NPT parties. Recently, however, Indian officials told the press that they were not concerned with the G-8 statement to curb transfers of ENR technology to non-NPT signatories, citing their "clean waiver" from the NSG. If the NSG issue is raised during the course of this demarche on fuel assurances, Post may draw from the following contingency talking points.

BEGIN CONTINGENCY POINTS:

-- A fuel assurance mechanism under IAEA auspices would be intended to offer states considering new nuclear energy programs an incentive against the development of new enrichment and reprocessing (ENR) capability.

-- This initiative is not related to Nuclear Suppliers Group efforts to restrict transfers of ENR technology.

-- Negotiations underway within the NSG predate and are independent of our civil nuclear cooperation (so-called 123) Agreement with India and in no way diminish our strong commitment to fully implementing that Agreement.

-- In our Agreement, the United States has granted India advanced consent to reprocess U.S.-obligated spent nuclear fuel in a new reprocessing facility to be established by India for reprocessing of safeguarded nuclear material under IAEA safeguards.

-- We are pleased with the progress made during consultations on arrangements and procedures, which began in Vienna on July 21, called for by the 123 Agreement to bring this reprocessing right into effect.

-- We look forward to concluding these consultations as soon as possible.

END CONTINGENCY POINTS.

¶16. (U) Department thanks Posts for their assistance in this matter. Department points of contact for working-level fuel assurance issues are Marc Humphrey and Burrus Carnahan (ISN/NESS); please include USMISSION UNVIE VIENNA as an info addressee on all responses.

CLINTON